

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 AGRE-00 AID-05 COME-00
EB-07 FRB-03 INR-07 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 EPG-02 SIL-01 OMB-01 IO-13 NSC-05 SS-15
STR-04 CEA-01 EA-07 NEA-10 INT-05 ACDA-07 /117 W
-----130706Z 093003 /16

O R 130510Z MAY 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 7489
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
USMISSION OECD PARIS
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 3689

E.O. 11652: GDS
TAGS: EFIN, TU, ENIM, EAGR
SUBJECT: TURKISH FOREIGN EXCHANGE RESERVES

REFS: (A) ANKARA 3188; (B) ANKARA 3385; (C) ANKARA 3685 (NOTAL)

SUMMARY: TURKISH CENTRAL BANK SENT OUT/TELEX MAY 6 TO
REASSURE CORRESPONDENTS OF ITS ABILITY TO PAY DURING
CURRENT SHORTAGE OF FOREIGN RESERVES. ALTHOUGH RESERVES
ARE UP SOMEWHAT OVER LOW OF APRIL 15, SITUATION IS STILL
SERIOUS. CENTRAL BANK DID NOT MEET \$5 MILLION INTEREST
PAYMENT ON MERRILL-LYNCH-LED SYNDICATED \$150-MILLION
BOTAS LOAN UNTIL INTO GRACE PERIOD FOR EXAMPLE. CENTRAL
BANK CANNOT EXPECT ASSISTANCE FROM IMF UNTIL NEW GOVERNMENT
CAN NEGOTIATED CONDITIONS SOME TIME AFTER JUNE 5 ELECTIONS.
IN MEANTIME, CENTRAL BANK HAS DEVISED CERTAIN STOP-GAP
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MEASURES, SOME ALLUDED TO IN TELEX, INCLUDING SALE OF
COMMODITIES WHICH APPEARS TO BE MEETING WITH SOME SUCCESS.
LONDON FINANCIAL COMMUNITY, IN OPINION OF ONE VISITING BANKER,
IS LESS NERVOUS ABOUT TURKISH SITUATION THAN NEW YORK.
THEME CONTINUES TO BE PLAYED HERE, NOW IN PRESS, THAT US AND
WEST ARE RESPONSIBLE FOR TURKEY'S PROBLEMS. END SUMMARY.

1. TURKISH CENTRAL BANK TOOK UNUSUAL STEP MAY 6 OF SENDING OUT TELEX DESIGNED TO REASSURE ITS CORRESPONDENTS OF ITS ABILITY TO MEET ITS OBLIGATIONS. TELEX, SIGNED BY OSMAN SIKLAR, VICE GOVERNOR, AND YAVUZ CANEVI, DIRECTOR GENERAL FOR FOREIGN EXCHANGE, ASSERTED, AMONG OTHER THINGS, THAT (A) GOT HAD EMBARKED, WITH SOME SUCCESS TO DATE, ON DRIVE TO EXPORT STOCKS OF WHEAT, COTTON YARN, TOBACCO, AND TEXTILE PRODUCTS TO AUGMENT FOREIGN EXCHANGE RESERVES; (B) IT WILL USE PROCEEDS OF THESE SALES TO REPLENISH ITS ACCOUNTS WITH ITS CORRESPONDENTS; AND (C) IT HAS A COVER ACCOUNT WITH DEUTSCHE BUNDESBANK TO MEET REPAYMENT OF SHORT-TERM LOANS (CONVERTIBLE LIRA DEPOSITS - CLD'S) SHOULD DEMAND FOR PAYMENT AT MATURITY EXCEED CENTRAL BANK'S BALANCE WITH ANY CORRESPONDENT BANK. SINCE TURKEY'S FOREIGN EXCHANGE SHORTAGE IS NO SECRET TO BANKING COMMUNITY, TELEX MAY ALLAY SOME FEARS BY SHOWING THAT CENTRAL BANK IS TAKING REASONABLE MEASURES TO PROTECT ITS ABILITY TO PAY. TEXT OF TELEX, RECEIVED CONFIDENTIALLY FROM AMERICAN COMMERCIAL BANKING SOURCE, FOLLOWS:

QUOTE DUE TO CERTAIN CIRCUMSTANCES THE EXPORT-IMPORT PERFORMANCE OF THE TURKISH ECONOMY IN THE FIRST QUARTER OF 1977 HAS NOT BEEN AS IT WAS EXPECTED WITH THE RESULTANT FOREIGN EXCHANGE GAP BETWEEN RECEIPTS AND EXPENDITURES. EXPORTS WERE 37 PERCENT LOWER AGAINST IMPORTS WHICH WERE 20 PERCENT HIGHER THAN FOR THE SAME PERIOD LAST YEAR. WORKERS REMITTANCES, HOWEVER, HAVE BEEN HIGHER THAN LAST YEAR FOR EACH MONTH OF THE QUARTER AND THE NEW DEPOSIT SCHEME FOR THE SAVINGS OF TURKISH WORKERS ABROAD IS HAVING A FAVORABLE RECEPTION AMONGST WORKERS.
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QUOTE AS OF END OF APRIL TURKEY'S OFFICIAL RESERVES STOOD AT DOLLARS 726.3 MILLIONS WHICH INCLUDES GOLD HOLDINGS OF DOLLARS 148 MILLIONS VALUED AT OFFICIAL PRICE OF DOLLARS 42.22 PER OUNCE.

QUOTE PRESENTLY, TURKEY HAS A HIGH EXPORT POTENTIAL WITH CONSIDERABLE STOCKS OF EXPORTABLES SUCH AS WHEAT, TOBACCO, COTTON, COTTON YARN AND TEXTILE PRODUCTS. WITH RESPECT TO EXPORTS THE GOVERNMENT IS NOW TAKING A SERIES OF MEASURES AIMED AT "EXPORT DRIVE". AS AN INITIAL CONSEQUENCE OF THIS MOVE THE SALES CONTRACT WILL BE SIGNED NEXT WEEK FOR WHEAT AND TOBACCO, THE FIRST PART OF WHICH WILL BE WORTH DOLLARS 45 MILLIONS AND DOLLARS 47 MILLIONS RESPECTIVELY. ARRANGEMENTS FOR THE INTERIM FINANCING OF THESE SALES ARE CONCLUDED WITH MAJOR BANKS.
QUOTE IN VIEW OF THE ABOVE WE ARE PLEASED TO INFORM YOU AND ASK YOU TO TAKE NOTE OF THE FOLLOWING:

1) WE HAVE FULL BELIEF AND CONFIDENCE THAT THE PROBLEMS WE ARE NOW FACING ARE OF A TEMPORARY NATURE AND DEVELOPMENTS IN THE FOLLOWING MONTHS WILL RESULT IN A

RETURN TO NORMAL TRENDS AND OUR ORIGINAL AND PRIOR EXPECTATIONS.

2) UTMOST EFFORT IS MADE TO REPLENISH OUR ACCOUNT WITH YOU AND THE EXPORT PROCEEDS REFERRED TO ABOVE SHALL BE USED PRIMARILY FOR THIS PURPOSE. MOREOVER, WE ARE MAKING OUR BEST NOT TO ISSUE NEW PAYMENT ORDERS WITH THE EXCEPTION OF PRIORITY TRANSACTIONS UNLESS OUR ACCOUNT PERMITS.

3) WE HAVE A CONVERTIBLE LIRA COVER ACCOUNT WITH DEUTSCHE BUNDESBANK IN CASE THERE IS A REPAYMENT OF CL DEPOSITS THROUGH YOUR GOOD BANK IN EXCESS OF OUR BALANCE WITH YOU PLEASE CABLE INFORM US IN GOOD TIME TO PROVIDE YOU WITH COVER FROM OUR SPECIAL ACCOUNTS WITH DEUTSCHE BUNDESBANK, FRANKFURTMAIN.

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O R 130510Z MAY 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 7490
INFO: RUFLEPA/AMCONSUL ADANA 6744
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USMISSION OECD PARIS
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C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 3689

QUOTE WE HOPE THE ABOVE WOULD PROVE TO BE USEFUL IN
ENHANCING OUR GOOD RELATIONSHIP AND PLEASE BE CONFIDENT
TO WITE TO US FOR FURTHER INFORMATION AND DETAILS. UNQUOTE

2. TURKISH FOREIGN RESERVES CRISIS APPEARS SLIGHTLY
IMPROVED, BUT IT IS NOT OVER, OFFICIAL PUBLISHED
DATA SHOWS THAT GOLD AND FOREIGN EXCHANGE RESERVES ROSE
SLIGHTLY TO \$571.1 MILLION ON APRIL 29 AFTER HITTING
ALL-TIME LOW OF \$512 ON APRIL 15. CENTRAL BANK GOVERNOR
TAYYAR SADIKLAR TOLD MERRILL LYNCH REPRESENTATIVES MAY

10 THAT OFFICIAL RESERVES WERE NOW \$700 MILLION. CANEVI TOLD E/C COUNSELOR MAY 6 THAT, DESPITE SHAKINESS OF TURKISH PAYMENTS SITUATION, THERE HAD BEEN NO DEMANDS FOR PAYMENT OF CONVERTIBLE LIRA (CL) LOANS AS THEY CAME DUE. HE HAD, HOWEVER, HAD TO PERSUADE TWO BANKS INTERESTED IN CALLING IN THEIR CL DEPOSITS ON MATURITY TO ROLL THEM OVER. VISITING REPRESENTATIVE FROM CITICORP'S ISTANBUL OFFICE
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REPORTED MAY 9 THAT CENTRAL BANK OFFICIALS HAD TOLD HIM THEY WILL NOT BE PAYING OFF \$200 MILLION WORLDWIDE OVERDRAFT UNTIL SOME TIME AFTER JUNE 5 ELECTIONS.

3. ONE INDICATION THAT CRISIS IS NOT OVER CAME RECENTLY WHEN CENTRAL BANK MISSED DUE DATE ON \$5-MILLION INTEREST PAYMENT ON BOTAS \$150-MILLION SYNDICATED LOAN ALTHOUGH IT PAID WITHIN GRACE PERIOD. MERRILL LYNCH, WHICH LED SYNDICATION, REGARDED FAILURE TO PAY BY DUE DATE AS UNHEARD OF. MERRILL LYNCH REPRESENTATIVES COULD NOT UNDERSTAND WHY GOT WAS UNABLE TO COME UP WITH \$5 MILLION ON DATE DUE IF IT COULD A WEEK LATER. THEY REGARDED LAPSE AS SERIOUS BLOT ON TURKISH RECORD AND INDICATION THAT GOT MAY NOT YET FULLY REALIZE ABSOLUTE NECESSITY OF MAINTAINING CONFIDENCE OF INTERNATIONAL BANKERS.

4. CENTRAL BANK HAS NO POSSIBILITY OF IMF ASSISTANCE OR SIGNIFICANT NEW COMMERCIAL BANK LOANS UNTIL AFTER ELECTIONS WHEN THERE IS NEW GOVERNMENT TO NEGOTIATE ECONOMIC STABILIZATION CONDITIONS WITH FUND. THEN, ACCORDING TO CANEVI, IT COULD TOUCH \$489 MILLION BY DRAWING FIRST FOUR TRANCHES, EXCLUSIVE OF FUNDS THAT MAY BE AVAILABLE TO IT THROUGH WITTEVEEN FACILITY. IN MEANTIME, CENTRAL BANK HAS HAD TO DEVISE CERTAIN STOP-GAP MEASURES. (A) IT HAS STOPPED PAYMENT ON MOST IMPORTS, AS NOTED IN TELEX, ALTHOUGH IMPORT-LICENSING CONTINUES. (B) IT HAS OBTAINED ADVANCE OF \$200 MILLION FROM DEUTSCHE BUNDESBANK, ALSO AS ALLUDED TO IN TELEX, AGAINST ANTICIPATED DM REMITTANCES BY TURKISH WORKERS IN GERMANY. TURKS ARE USING BUNDESBANK LINE TO COVER POSSIBLE DEMANDS FOR PAYMENT OF MATURE CL DEPOSITS. (C) IT HAS SECRETLY ASKED ITS CORRESPONDENT BANKS NOT TO CONFIRM LETTERS OF CREDIT WHEN THEY FALL DUE, ACCORDING TO CITICORP REPRESENTATIVE. (D) FINALLY, CENTRAL BANK, ALONG WITH FINANCE MINISTRY, HAS PREVAILED ON AGRICULTURE AND OTHER MINISTRIES TO AUTHORIZE SALE OF COMMODITIES BELOW WORLD PRICES, IF NECESSARY.
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5. GOT SEEMS TO HAVE HAD SOME SUCCESS IN ITS SALE OF COMMODITIES, ESPECIALLY WHEAT. CANEVI SAID MAY 6 THAT GOT HAS SOLD 200,000 TONS OF WHEAT TO TOEPFER, GERMAN GRAIN TRADER, WITH INTERIM FINANCING FROM DEUTSCHE BANK, FOR \$90/TON AND WAS WINDING UP SALE OF 300,000 TONS MORE. (THIS SALE HAD NOT BEEN COMPLETED MAY 11, ACCORDING TO WEST GERMAN EMBASSY, ANKARA.) CANEVI CLAIMED TURKS WERE NEGOTIATING FURTHER SALE OF 500,000 TONS OF WHEAT TO PEOPLE'S REPUBLIC OF CHINA. EMBASSY LEARNED MAY 11 THAT GOT HAD SOLD AN ADDITIONAL 200,000 TONS OF WHEAT AT \$106.88/TON (AROUND WORLD MARKET PRICE) TO TURKISH AGENT OF AMERICAN COMPANY (SAID TO BE BUNGE) INTENDING TO SELL IN IRAN. CANEVI SAID GOVERNMENT HAD ALSO SOLD 15,000 TONS OF TOBACCO FOR \$47 MILLION, AS NOTED IN TELEX ABOVE, AND CHROME WORTH \$25 MILLION.

6. AMERICAN EXPORT INTERNATIONAL BANKING CORPORATION (AMEX) REPRESENTATIVE SAID THAT LONDON FINANCIAL COMMUNITY HAD NO THOUGHT ABOUT CALLING CL DEPOSITS, AS OF LAST WEEK, ON GROUNDS THAT TURKEY IS STRONG NATO ALLY, IMPORTANT TO WEST, AND WON'T BE ALLOWED TO COLLAPSE FINANCIALLY. HE HAD BEEN SURPRISED TO HEAR OF CONCERN IN NEW YORK. AMEX, HE HELD, WAS GOING TO SUPPORT TURKEY IN THIS PERIOD. IT HAD, IN FACT, CONVERTED CB OVERDRAFT OF \$15 MILLION TO LOAN DUE JUST AFTER ELECTION DAY, RENEWABLE FOR ANOTHER 2-3 MONTHS AT TURKISH OPTION.

7. THEME CONTINUES TO BE PLAYED HERE THAT US IS SOMEHOW TO BLAME FOR TURKISH MESS. GOVERNOR SADIKLAR, TALKING TO BELGIAN AMBASSADOR TWO DAYS AFTER GOVERNOR'S MEETING WITH E/C COUNSELOR (REF B), BLAMED HIS FINANCIAL PROBLEMS ON "US AND THE WEST", ARGUING THAT BANKS THERE, KNOWING TURKEY'S SHORTAGE OF EXCHANGE, WERE FAILING TO TIDE COUNTRY OVER UNTIL NEW GOVERNMENT COULD TAKE CHARGE. SADIKLAR, DESCRIBED AS DEEPLY BITTER, SAID TURKS "WOULD NEVER FORGER",
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WOULD ASK NO ONE FOR HELP, AND WOULD SELL THEIR COMMODITIES AT ANY PRICE TO GET FUNDS THEY NEED.

8. MILLIYET, DAILY PAPER WHICH IS USUALLY FAIRLY GOOD SOURCE OF ECONOMIC INFORMATION, REPORTED MAY 11 THAT AMERICAN AND GERMAN BANKS ARE IMPOSING ECONOMIC EMBARGO ON TURKEY, AIMED AT FORCING TURKEY TO SELL HER WHEAT, COTTON, TOBACCO, AND CHROMIUM STOCKS CHEAPLY AND AT MAKING HER FOREIGN POLICY INEFFECTIVE IN ORDER TO FORCE TURKISH CONCESSIONS ON CYPRUS AND PREVENT HER DEPARTURE FROM NATO. PAPER SAID THAT CITIBANK IS DIRECTING THESE ACTIVITIES FROM ATHENS

AND GREEK LOBBY IS ACTIVE IN MATTER. (SEE REF C.)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, FOREIGN EXCHANGE HOLDINGS, DEBT REPAYMENTS, INTEREST RATES, FINANCIAL RESERVES
Control Number: n/a
Copy: SINGLE
Sent Date: 13-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770168-1047
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770564/aaaaccix.tel
Line Count: 280
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:00 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:05 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1e883895-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 ANKARA 3188, 77 ANKARA 3385, 77 ANKARA 3685
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2543803
Secure: OPEN
Status: NATIVE
Subject: TURKISH FOREIGN EXCHANGE RESERVES
TAGS: EFIN, EMIN, EAGR, TU
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1e883895-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009